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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003957

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STATE PASS AIT/W

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TAGS: [PREL](#) [PGOV](#) [TW](#)

SUBJECT: BOTH CAMPS ADJUSTING TO NEW POLITICAL ALIGNMENT

REF: A. TAIPEI 3490

[1](#)B. TAIPEI 3939

Classified By: AIT Acting Director David J. Keegan, Reason: 1.4 (B/D)

[1](#)1. (C) Summary: Both the ruling and opposition camps are taking stock of the surprising results of the December 11 Legislative Yuan (LY) election. President Chen Shui-bian is facing pressure to resign his position as Democratic Progressive Party (DPP) Chairman, and speculation is growing over a pending change in the cabinet line-up. KMT officials say that no formal decision will be made until the December 15 Central Standing Committee (CSC) meeting over party Chairman Lien Chan's campaign demand that the Pan-Blue coalition be empowered to name the next Premier. While the proposal is almost certain to fail, a KMT attempt to pursue it could set the stage for continued partisan confrontation and renewed gridlock. Sour post-election relations between the KMT and the People First Party (PFP) is also raising questions over how solid Pan-Blue's lock on the LY will be. PFP Chairman James Soong has expressed strong opposition to the proposed Pan-Blue merger, citing KMT "dirty tricks" during the campaign. Major DPP and KMT meetings on December 14-15 should offer a clearer sense of how both camps will adjust to the new political balance. End Summary.

Adjusting to a Surprising New Reality

[1](#)2. (C) Both political camps are still taking stock of the surprisingly strong KMT showing in the December 11 Legislative Yuan (LY) election (Ref A). While the DPP marginally increased its number of seats in the election, party members are clearly interpreting the results as a major setback for the Pan-Green coalition. President Chen Shui-bian has delayed a decision on apportioning blame for the election upset, but he has already said he takes full responsibility. Chen is coming under increasing pressure from within the DPP to resign from his party Chairman position at the December 14 DPP CSC meeting. Premier Yu Shyi-kun and DPP Secretary General Chang Chun-hsiung are also likely to be replaced as a result of the DPP's worse than expected election performance.

[1](#)3. (C) Although it is AIT's assessment that tactical errors played the key role in the DPP's electoral setback (Septel), moderates in the party are touting the results as a repudiation of Chen's recent rhetorical shift towards the pro-independence extreme. Members of the DPP's moderate New Tide faction, who stand to gain from any post-election personnel house cleaning, have been particularly outspoken in their criticism of how Chen ran the election. Veteran New Tide legislator Lin Cho-shui publicly blamed Chen's focus on "dark Green" voters for the low turnout among centrists. Fellow New Tide elder Hong Chi-chang said that Chen needed to adjust his cabinet as a result of the election by appointing more moderates who could work with the Pan-Blue majority. The media has already started handicapping future premier candidates, with Presidential Office Secretary General Su Tseng-chang, DPP Kaohsiung Mayor Frank Hsieh, and former

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Mainland Affairs Council (MAC) Chair Tsai Ing-wen topping the list.

KMT's Choice: Cooperation or Confrontation

[1](#)4. (C) KMT officials and supporters are understandably elated over the party's surprisingly strong showing. However, KMT Taipei Mayor Ma Ying-jeou warned party officials against irrational exuberance. "We can celebrate for one night," he commented after the election results were announced, "but tomorrow we need to remember all the fundamental problems Pan-Blue still faces." Ma has responded cautiously to pre-election demands by KMT Chairman Lien Chan that Pan-Blue take the lead in forming the next Cabinet (Ref B). Constitutionally, the President is given sole authority to appoint the Premier and his Cabinet, with no provision even for LY approval. However, some in the Pan-Blue have argued that the opposition could technically use its legislative majority to force a vote of no-confidence in Chen's cabinet. Moderates like Ma and KMT LY President Wang Jin-pyng have warned that this approach would give the President the power

to dissolve the LY and call for new elections. KMT spokesmen say that no decision on this initiative will be made until the December 15 KMT CSC meeting.

15. (C) Another factor deterring the KMT from seeking control of the Cabinet was the threat on December 12 by PFP Chairman James Soong that his party would not cooperate with the KMT on the issue. Since the December 11 election, Soong has repeatedly lashed out at KMT "dirty tricks" that he blames for the PFP's 12-seat loss. Soong told a news conference the day after the election that the KMT's lack of sincerity during the campaign made a post-election KMT-PFP merger impossible. While KMT officials say privately they are downbeat on prospects for a formal merger given the ideological and personality divisions that exist between the two parties (Septel), KMT leaders have publicly called for the PFP to sit down for talks at an early date. Post-election suggestions by Lien Chan and close aides that the KMT Chairman would not seek re-election at the March party congress may add additional pressure for Soong to step aside to allow for a Pan-Blue merger.

Comment: Preliminary Reactions

16. (C) The dust has yet to settle fully, but it is clear that President Chen has been dealt at least a temporary political setback. DPP moderates can be expected to capitalize on the party's poor performance to demand a shift towards the political center in both policy and personnel. For its part, the KMT is riding high, but ongoing internal divisions and friction with the PFP will weaken its ability to effectively use its renewed LY majority to confront Chen over issues like Cabinet line-ups. Nevertheless, Chen will need to consider the demands for compromise when he selects his new Executive Yuan (EY) line-up. Chen's intentions over the Cabinet, and perhaps his future policy priorities, may be clarified in his much-anticipated December 14 CSC speech.

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